

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Ovid	County Clinton
Fiscal Year End 3/31/06	Opinion Date 4/26/06	Date Audit Report Submitted to State 6/8/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

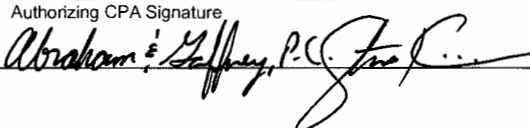
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Rd., Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 	Printed Name Steven R. Kirinovic		License Number 1101022020

**Township of Ovid
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2006

Township of Ovid
Clinton County, Michigan
March 31, 2006
BOARD OF TRUSTEES

James I. McClelland	Supervisor
Carolyn J. Stilwell	Clerk
Jeanne A. Ott	Treasurer
Charles J. Olson	Trustee
James A. Schaefer	Trustee

Township of Ovid
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
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Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Ovid
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Ovid, Michigan as of and for the year ended March 31, 2006, which collective comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township of Ovid's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Ovid as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 26, 2006

Management's Discussion and Analysis

The following is a discussion and analysis of the Township of Ovid (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2006. This analysis should be read in conjunction with the Independent Auditors Report and with the Township's financial statements, which follow this section. 2006 represents the second year the Township has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus and Statement No. 38 Certain Financial Statement Note Disclosures. This discussion and analysis provides comparisons with the previous year.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- State shared revenue, our largest revenue source in the General Fund, increased approximately \$1,778.
- Tax revenues increased approximately \$5,174 from the prior year. The increase is the result of increasing property values and decreasing the millage that was levied in the Township.
- The fund balance of the Township's General Fund decreased by \$38,110, mainly due to the purchase of a parcel of land for a future Township hall.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Ovid as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Ovid in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005 and March 31, 2006.

	March 31,	
	<u>2005</u>	<u>2006</u>
Assets		
Current assets	\$ 342,935	\$ 304,626
Capital assets	<u>1,756</u>	<u>76,141</u>
Total assets	344,691	380,767
Liabilities		
Current liabilities	2,239	2,040

Township of Ovid

Management's Discussion and Analysis

Net assets

Invested in capital assets	\$ 1,756	\$ 76,141
Unrestricted	<u>340,696</u>	<u>302,586</u>
Total net assets	<u>\$ 342,452</u>	<u>\$ 378,727</u>

The Township's total net assets were \$378,727 at March 31, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$302,586 at the end of the fiscal year. The net assets invested in capital assets were \$76,141.

The following table shows the changes in net assets for the year ended March 31, 2005 and March 31, 2006.

	Years Ended March 31,	
	<u>2005</u>	<u>2006</u>
Revenue		
Program revenue		
Charges for services	\$ 3,425	\$ 5,500
Capital grants and contributions	-	4,800
General revenue		
Property taxes	98,004	103,178
State shared revenue	131,813	133,591
Investment earnings	4,262	8,565
Other	<u>9,568</u>	<u>12,553</u>
Total revenues	247,072	268,187
Program Expenses		
General government	106,978	115,271
Public safety	19,003	19,301
Public works	102,518	93,435
Health and welfare	-	500
Recreation and cultural	<u>3,340</u>	<u>3,405</u>
Total program expenses	<u>231,839</u>	<u>231,912</u>
Change in net assets	<u>\$ 15,233</u>	<u>\$ 36,275</u>

Governmental Activities

The Township's governmental revenues totaled \$268,187 with the greatest revenue source being state shared revenue, making up approximately 50 percent of total revenues. Property taxes make up approximately 38 percent of total governmental revenue. Over the past year, state shared revenue and interest income have both increased.

The Township incurred expenses of \$231,912 during the year. The majority of expenses are associated with the general government and public works functions, which includes various general governmental activities, maintenance of highways, streets and bridges as well as drains.

The Township's Funds

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, not the Township of Ovid as a whole. The Township of Ovid's Board of Trustees has the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for all of the Township's governmental services. The most significant services provided during the fiscal year were general governmental activities of \$106,265, and maintenance of highways, streets and bridges, which incurred expenditures of \$93,435 for the fiscal year. These activities are funded primarily through property taxes.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the expected decrease in state shared revenue. However, because all departments came in under budget at year-end, there was an overall favorable variance of approximately \$37,441 from budget.

Capital Assets

At the end of the fiscal year, the Township had approximately \$86,621 invested in capital assets, including land, voting machines and software. There was \$10,480 in accumulated depreciation on these assets with a resulting investment in capital assets (net book value) of \$76,141. There were \$74,984 in additions in the current year. \$70,184 was for the purchase of a parcel of land and \$4,800 was for a new voting machine. See Note C in the financial statements for more details.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. With the increase in assessments, it has been equal to our loss of revenue in the past, but we can not withstand much more of a reduction in revenue sharing.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (989) 834-2838.

BASIC FINANCIAL STATEMENTS

Township of Ovid
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 161,353
Investments	135,148
Due from other governmental units - Local	<u>8,125</u>
Total current assets	304,626
Noncurrent assets	
Capital assets not being depreciated	70,184
Capital assets, net of accumulated depreciation	<u>5,957</u>
Total noncurrent assets	<u>76,141</u>
TOTAL ASSETS	380,767
LIABILITIES	
Current liabilities	
Accounts payable	826
Accrued wages	825
Other accrued liabilities	<u>389</u>
TOTAL LIABILITIES	2,040
NET ASSETS	
Invested in capital assets	76,141
Unrestricted	<u>302,586</u>
TOTAL NET ASSETS	<u><u>\$ 378,727</u></u>

See accompanying notes to financial statements.

Township of Ovid

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 115,271	\$ 5,500	\$ 4,800	\$ (104,971)
Public safety	19,301	-	-	(19,301)
Public works	93,435	-	-	(93,435)
Health and welfare	500	-	-	(500)
Recreation and cultural	3,405	-	-	(3,405)
Total governmental activities	<u>\$ 231,912</u>	<u>\$ 5,500</u>	<u>\$ 4,800</u>	(221,612)
General revenues:				
Property taxes				103,178
State shared revenue				133,591
Investment earnings				8,565
Other				<u>12,553</u>
Total general revenues				<u>257,887</u>
Change in net assets				36,275
Net assets, beginning of the year				<u>342,452</u>
Net assets, end of the year				<u>\$ 378,727</u>

See accompanying notes to financial statements.

Township of Ovid

GOVERNMENTAL FUND BALANCE SHEET

March 31, 2006

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 161,353
Investments	135,148
Due from other governmental units -	
Local	<u>8,125</u>
TOTAL ASSETS	<u><u>\$ 304,626</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 826
Accrued wages	825
Other accrued liabilities	<u>389</u>
	2,040
FUND BALANCE	
Unreserved	
Undesignated	<u>302,586</u>
TOTAL LIABILITIES	
AND FUND BALANCE	<u><u>\$ 304,626</u></u>

See accompanying notes to financial statements.

Township of Ovid

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Fund balance - governmental fund **\$ 302,586**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	86,621	
Accumulated depreciation is	<u>(10,480)</u>	
Capital assets, net		<u>76,141</u>

Net assets of governmental activities **\$ 378,727**

See accompanying notes to financial statements.

Township of Ovid

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2006

	<u>General</u>
REVENUES	
Taxes	\$ 103,178
Intergovernmental - state	133,591
Charges for services	5,500
Interest and rents	8,565
Other	<u>12,553</u>
TOTAL REVENUES	263,387
EXPENDITURES	
Current	
General government	106,265
Public safety	19,301
Public works	93,435
Health and welfare	500
Recreation and cultural	3,405
Other	<u>78,591</u>
TOTAL EXPENDITURES	<u>301,497</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(38,110)
Fund balances, beginning of year	<u>340,696</u>
Fund balances, end of year	<u><u>\$ 302,586</u></u>

See accompanying notes to financial statements.

Township of Ovid

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balance - governmental fund **\$ (38,110)**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	\$ 70,184	
Depreciation expense	<u>(599)</u>	
Excess capital outlay over depreciation expense		69,585

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution	<u>4,800</u>
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Change in net assets of governmental activities **\$ 36,275**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ovid Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Ovid. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Ovid contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activities which are considered to be jointly governed organizations in relation to the Township, due to there being no ongoing financial interest or responsibility.

Ovid-Middlebury Emergency Services Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury has entered into an agreement that created the Ovid-Middlebury Emergency Services Authority. Each Township appoints three (3) individuals and the Village appoints one (1) individual to the governing board of the Authority. The Townships collect and distribute property taxes that are levied by the Authority. The Authority provides fire and ambulance services to the Townships and the Village.

The financial activities of Ovid-Middlebury Emergency Services Authority are accounted for separately. Separate audited financial statements for the Authority are available directly from the Authority. As of December 31, 2005, the Ovid-Middlebury Emergency Services Authority had a fund balance of \$42,480. The Township distributed \$17,571 to the Authority for per capita charges and fire protection.

Maple Grove Cemetery Authority - The Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, has entered into an agreement which created the Maple Grove Cemetery Authority. The governing body of the Authority is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of one (1) year. The majority of the Authority's revenue is derived from charges for services which are charged to each individual for lot sales, burials, etc. Each municipality is responsible to pay an equal per capita charge based on amount of anticipated expenditures above anticipated revenues if necessary. The \$8,582 paid from the general fund during the current year was for the Township's portion of related expenditures.

The financial activities of the Maple Grove Cemetery Authority are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended December 31, 2005, are available from the Authority. As of December 31, 2005, the Authority had a fund balance of \$32,371.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Jointly Governed Organizations

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township due to there being no ongoing financial interest or responsibility.

Ovid Public Library - Under Public Act 24 of 1989, the Township of Ovid, in conjunction with the Village of Ovid and the Township of Middlebury, created the Ovid Public Library which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Township has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The major fund of the Township is:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

5. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

7. Cash, cash equivalents, and investments

Cash and cash equivalents consist of checking and money market accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

8. Capital Assets

Capital assets include software and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment

5-10 years

9. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

10. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Property Taxes

Ovid Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2006, the Township levied .9928 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2005 levy for property within the Township was \$78,431,798.

12. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

NOTE B: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Ovid is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE B: CASH AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, the carrying amount of the Township's deposits were \$296,501 and the bank balance was \$297,995, of which \$261,910 was covered by federal depository insurance. The remaining balance of \$36,085 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Township of Ovid
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balance</u> <u>April. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Mar. 31, 2006</u>
Capital assets not being depreciated				
Land	\$ -	\$ 70,184	\$ -	\$ 70,184
Capital assets being depreciated				
Equipment	11,637	4,800	-	16,437
Less accumulated depreciation for:				
Equipment	(9,881)	(599)	-	(10,480)
Net capital assets being depreciated	<u>1,756</u>	<u>4,201</u>	<u>-0-</u>	<u>5,957</u>
Net capital assets	<u>\$ 1,756</u>	<u>\$ 74,385</u>	<u>\$ -0-</u>	<u>\$ 76,141</u>

Depreciation expense of \$599 was allocated to the general government function on the statement of activities.

NOTE D: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including liability, wrongful acts, auto, crime, inland marine, and property losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTE E: RETIREMENT PLAN

The Township of Ovid is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Ovid Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 75% and the employee 25% of the amount. During the year ended March 31, 2006, the Township of Ovid made contributions for all participating employees of \$300 per employee with the participating employees required to contribute \$100 each.

All members of the township board are eligible to participate in the plan. All eligible employees, except for Board trustees, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with The Manufacturers Life Insurance Company.

For the year ended March 31, 2006, the Township of Ovid had a total payroll of \$48,628. The Township of Ovid Retirement Plan covered a payroll of \$44,238. The Township of Ovid made contributions to the retirement plan in the amount of \$900.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Current Tax Levy	\$ 78,000	\$ 78,000	\$ 78,033	\$ 33
Trailer tax	200	200	260	60
Administrative fees	<u>25,500</u>	<u>25,500</u>	<u>24,885</u>	<u>(615)</u>
Total taxes	103,700	103,700	103,178	(522)
Intergovernmental - State				
State revenue sharing	134,000	134,000	133,591	(409)
Charges for services				
Property split fees	2,250	2,250	5,500	3,250
Interest	3,800	3,800	8,565	4,765
Other				
SET reimbursement	-	-	5,288	5,288
Other	<u>6,000</u>	<u>6,000</u>	<u>7,265</u>	<u>1,265</u>
Total other	<u>6,000</u>	<u>6,000</u>	<u>12,553</u>	<u>6,553</u>
TOTAL REVENUES	249,750	249,750	263,387	13,637
EXPENDITURES				
General government				
Township Board	2,500	2,500	1,875	625
Supervisor	15,300	17,331	16,866	465
Clerk	16,700	16,700	14,700	2,000
Board of review	1,000	1,000	599	401
Treasurer	19,700	19,700	17,958	1,742
Assessor	25,440	26,363	26,363	-0-
Elections	5,500	5,500	2,345	3,155
Township hall	1,000	500	415	85
Cemetery	9,816	9,866	8,582	1,284
Other	<u>16,860</u>	<u>17,860</u>	<u>16,562</u>	<u>1,298</u>
Total general government	113,816	117,320	106,265	11,055
Public safety				
Police appropriation	500	500	500	-0-
Emergency services	<u>23,900</u>	<u>22,927</u>	<u>18,801</u>	<u>4,126</u>
Total public safety	24,400	23,427	19,301	4,126

Township of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Street lights	\$ 1,600	\$ 1,600	\$ 1,357	\$ 243
Highways, streets, and bridges	105,265	94,234	87,602	6,632
Drains	7,000	5,000	4,476	524
Total public works	113,865	100,834	93,435	7,399
Health and welfare				
Office on Aging	500	500	500	-0-
Recreation and cultural				
Library	360	360	195	165
Parks and recreation	3,360	3,360	3,210	150
Total recreation and cultural	3,720	3,720	3,405	315
Other				
Capital outlay	-	70,500	70,246	254
Pension plan contributions	900	900	900	-0-
Social Security	4,100	4,100	3,720	380
Other	4,000	4,000	3,725	275
Total other	9,000	79,500	78,591	909
TOTAL EXPENDITURES	265,301	325,301	301,497	23,804
EXCESS OF REVENUES (UNDER) EXPENDITURES	(15,551)	(75,551)	(38,110)	37,441
Fund balance, beginning of year	340,696	340,696	340,696	-0-
Fund balance, end of year	\$ 325,145	\$ 265,145	\$ 302,586	\$ 37,441